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January 28, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name in the "FROM:" field.

SUBJECT: **SECOND CITY OF HAWTHORNE SOUTH BAY WORKFORCE
INVESTMENT BOARD CONTRACT REVIEW – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES AMERICAN RECOVERY AND
REINVESTMENT ACT/GREATER AVENUES FOR INDEPENDENCE
VOCATIONAL INTERMEDIARY AND DIRECT SERVICES PROGRAM
PROVIDER**

At the request of the Department of Public Social Services (DPSS), we completed a second program review of the City of Hawthorne South Bay Workforce Investment Board (SBWIB or Agency), a DPSS American Recovery and Reinvestment Act/Greater Avenues for Independence Vocational Intermediary and Direct Services (ARRA/GAIN VIDS) Program.

DPSS contracts with SBWIB, a department of the City of Hawthorne, to administer and provide intermediary services for the ARRA/GAIN VIDS Program. Program services include providing participants with paid work experience, on-the-job training and classroom training in an effort to secure participants with unsubsidized employment. SBWIB subcontracts with 39 public and private non-profit agencies to provide the services and this report indicates the results of our review of eight SBWIB subcontractors. SBWIB provided services to residents of all Supervisorial Districts during Fiscal Year (FY) 2009-10. As of July 2010, DPSS paid SBWIB approximately \$76 million during FY 2009-10.

Results of Review

The program participants met the eligibility requirements for the ARRA/GAIN VIDS Program and SBWIB subcontractors' staff possessed the required qualifications. However, SBWIB subcontractors did not always comply with the other contract requirements. For example, SBWIB subcontractors:

- Did not refer 12 (23%) of the 53 participants reviewed to worksites timely.

SBWIB's attached response indicates that the five-day referral requirement was not feasible and subsequent to our review, SBWIB negotiated a new 20-day referral requirement, which DPSS approved.

- Did not ensure participant timecards were accurate resulting in inaccurate payroll payments to eight (15%) of the 53 participants reviewed.

SBWIB's attached response indicates that they corrected the payroll payments to the participants and will work with their subcontractors to ensure participants are paid accurately.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SBWIB and DPSS on September 15th and September 21st, 2010. SBWIB's attached response indicates agreement with our findings and recommendations. DPSS indicated that they will work with SBWIB to ensure that the recommendations are implemented.

We thank SBWIB management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Wayne Spencer, Board Chairperson, SBWIB
Jan Vogel, Executive Director, SBWIB
Public Information Office
Audit Committee

**ARRA/GAIN VOCATIONAL INTERMEDIARY AND DIRECT SERVICES PROGRAM
CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD
FISCAL YEAR 2009-10**

BACKGROUND

The Department of Public Social Services (DPSS) contracts with the South Bay Workforce Investment Board (SBWIB or Agency), a department of the City of Hawthorne, to administer and provide intermediary services for the American Recovery and Reinvestment Act/Greater Avenues for Independence Vocational Intermediary and Direct Services (ARRA/GAIN VIDS) Program. SBWIB subcontracts with 39 public and private non-profit agencies to provide the services.

PURPOSE/METHODOLOGY

The purpose of our review was to determine whether SBWIB and eight (21%) of their 39 subcontractors provided the ARRA/GAIN VIDS Program services and maintained proper documentation, as required by the County contract. We interviewed a number of subcontractor staff and clients and evaluated the adequacy of the Agency's and subcontractors' records and compliance with federal, State and County guidelines.

ELIGIBILITY

Objective

Determine whether SBWIB provided services to individuals that met the eligibility requirements for the ARRA/GAIN VIDS Program.

Verification

We visited sites for eight SBWIB subcontractors. For six subcontractors, we reviewed the case files for 45 (27%) of the 168 participants newly enrolled in February 2010. For the remaining two subcontractors, we reviewed the case files for eight (17%) of the 47 participants that received wages in March 2010 because these subcontractors did not have any new enrollments in February 2010.

Results

All 53 (45 + 8) program participants met the eligibility requirements for ARRA/GAIN VIDS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether SBWIB provided the services in accordance with the County contract and ARRA/GAIN VIDS Program guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 53 program participants that received services during February and March 2010.

Results

SBWIB subcontractors did not refer twelve (23%) of the 53 participants reviewed to a worksite within five days as required by the contract. The participants were referred an average of 18 days late. In addition, SBWIB subcontractors did not ensure eight (15%) of the 53 participants accurately completed their timecards. As a result, the subcontractors overpaid four participants by a total of \$230 and underpaid four participants by a total of \$268.

Recommendations

SBWIB management ensure subcontractors:

- 1. Refer participants to worksites timely.**
- 2. Correct the eight participants' payroll payments.**
- 3. Verify that participants accurately complete their timecards to ensure they are accurately paid.**

STAFFING QUALIFICATIONS

Objective

Determine whether SBWIB subcontractor staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for 19 subcontractor employees.

Results

SBWIB subcontractor staff possessed the qualifications required by the County contract.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether SBWIB verified employment eligibility for the employees assigned to the ARRA/GAIN VIDS Program.

Verification

We interviewed and reviewed personnel files for 19 SBWIB subcontractor staff assigned to the ARRA/GAIN VIDS Program.

Results

SBWIB's subcontractors verified employment eligibility for their employees.

Recommendation

None.



www.sbwib.org

SOUTH BAY WORKFORCE INVESTMENT BOARD

SBWIB

M E M B E R S

September 15, 2010

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JAN VOGEL
EXECUTIVE DIRECTOR

Ms. Wendy Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe:

Attached please find the City of Hawthorne/South Bay Workforce Investment Board's (SBWIB) formal response to the Draft Audit Report of the American Recovery and Reinvestment Act/Greater Avenue for Independence Vocational Intermediary and Direct Services (ARRA/GAIN VIDS) Program.

As indicated in the attachment, the SBWIB provides an explanation and corrective action plan for each recommendation in the LA County audit report.

Should you require additional information or wish to discuss in greater detail, please feel free to contact me directly at 310-970-7700.

Sincerely,

Tracey Atkins, Manager
GAIN Unit

Encl.

PROGRAM SERVICES

Objective

Determine whether SBWIB provided the services in accordance with the County contract and ARRA/GAIN VIDS Program guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 53 program participants that received services during February and March 2010.

Results

SBWIB subcontractors did not refer twelve (23%) of the 53 participants reviewed to a worksite within five days as required by the contract. The participants were referred an average of 18 days late. In addition, SBWIB subcontractors did not ensure eight (15%) of the 53 participants accurately completed their timecards. As a result, the subcontractors overpaid four participants by a total of \$230 and underpaid four participants by a total of \$268.

Recommendations

SBWIB management ensure subcontractors:

- 1. Refer participants to worksites timely.**
- 2. Correct the eight participants' payroll payments.**
- 3. Verify that participants accurately complete their timecards to ensure they are accurately paid.**

SBWIB Response:

Refer participants to worksites timely

- 1. As stated previously, the five-day referral requirement has generally has not been met due to the necessity of having all participants live scanned prior to placement, having the results of the live scans being returned within the time period specified, a result of participants themselves missing their scheduled appointment date and also as a desire by most worksites wanting to interview the participants prior to placement.*

Moving forward, SBWIB has negotiated a realistic goal with the Los Angeles County DPSS Contract Management Division and GAIN Program Division. The new agreement allows for 20 working days from the date of referral/orientation until enrollment into a subsidized training assignment.

Correct the eight participants' payroll payments.

2. *SBWIB has corrected the payments for the six of the eight participants, and will correct the payments for two in the special payroll run with the check date September 21, 2010. See attached documentation showing the corrections.*

Verify that participants accurately complete their timecards to ensure they are accurately paid.

3. *The SBWIB will ensure that WorkSource Centers understand that it is their responsibility to review participant timesheets for accuracy. SBWIB will continue to provide training to WorkSource Centers, on an as-needed basis, to ensure the error rate for accuracy is minimal. Additionally, SBWIB's personnel will continue to review, and correct participant timesheets before processing payroll to ensure the participants are paid accurately.*